

Message Text

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-03 COME-00 DODE-00 EB-11 FEAE-00 FPC-01 H-03

INR-11 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 SSO-00

NSCE-00 INRE-00 USIE-00 PA-04 PRS-01 AECE-00 DRC-01

EURE-00 /176 W

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O R 241623Z JUL 74

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 4061

INFO USMISSION IAEA VIENNA

C O N F I D E N T I A L OTTAWA 2329

E.O. 11652: GDS

TAGS: TGEN, ENRG, IAEA, PARM, CA

SUBJECT: CANDU'S AND CANADA

1. BEGIN UNCLASSIFIED. FOR TWO EVENINGS (JULY 22 AND 23), WIDELY VIEWED 2300 HRS NATIONAL TV NEWSCAST HAS CARRIED EDITORIAL BY DON MCNEIL OF CBC WASHINGTON STAFF, THE OVERALL TONE OF WHICH HAS BEEN CRITICAL OF RECENT SALES OF CANDU NUCLEAR POWER REACTORS TO ARGENTINA ESPECIALLY, AND OTHER COUNTRIES AS WELL. THRUST OF CRITICAL COMMENTS HAS CENTERED ON INTRINSIC ADAPTABILITY OF CANDU'S TO WEAPONS OR PNE PROGRAMS. PROGRAM HAS INCLUDED CLIPS FROM INTERVIEWS WITH LEADING AMERICAN PERSONALITIES VOICING DOUBTS ABOUT THE WISDOM OF SELLING CANDU'S IN THE INTERNATIONAL MARKET. ON EVENING PROGRAM, JULY 23, DONALD MACDONALD, MINISTRY OF ENERGY, MINES AND RESOURCES, IN REPLY WAS SHARPLY IF OBLIQUELY CRITICAL OF CRITICS AND REFERRING TO RECENT OFFER TO PROVIDE REACTORS TO THE MIDDLE EAST, INDICATED U.S. SHOULD LOOK AT ITS OWN POLICIES VIS-A-VIS REACTOR SALES BEFORE CRITICIZING OTHERS. END UNCLASSIFIED.

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WM BEGIN CONFIDENTIAL. IN PREPARING FOR DISCUSSIONS WITH CANADIAN TEAM HEADED BY ASST UNDER-SECRETARY DUPUY ON JULY 25, DEPT SHOULD BE AWARE OF DEPTH AND INTENSITY OF CONTROVERSY IN CANADA ON THIS ISSUE. STRONG ELEMENTS IN CANADA, AMONG THEM MACDONALD AND INDUSTRY, TRADE AND COMMERCE MINISTER GILLESPIE, FEEL THAT DELAYS IN U.S. BREEDER PROGRAM HAVE HANDED CANADA A UNIQUE OPPORTUNITY TO MAKE A MAJOR CONTRIBUTION TO CANADA'S ECONOMY THROUGH INTERNATIONAL (INCLUDING POSSIBLY TO U.S.) SALES OF CANDU REACTORS AS SECOND GENERATION NEAR-BREEDER NUCLEAR POWER REACTORS. REGARDLESS OF TECHNICAL MERITS OF THIS VIEW, THE POLITICALLY IMPORTANT POINT IS THAT THE MINISTRIES OF EM&R AND IT&C, BOTH MAJOR PORTFOLIOS, BELIEVE IT TO BE TRUE. THEY AND ATOMIC ENERGY OF CANADA LIMITED VIEW DEVELOPMENTS FOLLOWING THE INDIAN TEST AS TENDING TO DEPRIVE CANADA OF THE ECONOMIC BENEFITS WHICH ARE ITS DUE AS A NATURAL CONSEQUENCE OF CANADA'S DOGGED PURSUIT AN PERFECTION OF THE CANDU CONCEPT.

3. AS COUNTER TO ABOVE, THERE IS NATURAL PIQUE FELT BY PRIME MINISTER AND EXTAFF OVER WHAT THEY BELIEVE TO BE INDIA'S DELIBERATE DECEPTION. IN ADDITION, THERE IS NATURAL DESIRE OF GOC TO APPEAR TO BE ON THE SIDE OF THE "RIGHT", I.E., NON-PROLIFERATION, SAFEGUARDS, ETC. A STRONG ALLY IN THIS POSITION FROM THE TECHNICAL POINT OF VIEW HAD BEEN, UP TO NOW, THE ATOMIC ENERGY CONTROL BOARD. THE POSITION OF THESE GROUPS WILL, IN OUR VIEW, BE SIGNIFICANTLY WEAKENED IF UPCOMING INDIAN CONSULTATIONS AND OTHER FUTURE DISCUSSIONS OF INTERNATIONAL SAFEGUARD MEASURES ARE ALLOWED TO CONCENTRATE ON THE TECHNICAL ASPECTS OF CANDU'S VS. LWR'S OR THE RELATIVE TECHNICAL DANGERS OF AMERICAN AND CANADIAN REATOR TYPES. THE CENTRAL POINT MUST BE, WE BELIEVE, THAT OF CONTAINING PROLIFERATION. SINCE DUPUY GROUP WILL INCLUDE SENIOR OFFICIALS OF EM&R AND IT&C, WE RECOMMEND THAT DEPT RESIST ANY MOVE BY THESE REPRESENTATIVES TO SHIFT FOCUS OF DISCUSSIONS FROM THE CENTRAL ISSUE OF PROLIFERATION TO TECHNICAL AND ECONOMIC ASPECTS OF PROBLEM.

4. IN THIS CONFLICTING SITUATION INVOLVING DIFFERING VIEWS AMONG MAJOR CANADIAN CABINET MINISTERS, A MINIMUM CONDITION FOR CONTINUED CANADIAN ADHERENCE TO THE CONCEPT OF STRICT NUCLEAR SAFEGUARDS IS LIKELY TO BECOME SOME KIND OF GUARANTEE THAT OTHER SUPPLIERS WITH LESS STRINGENT STANDARDS WILL NOT
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STEP IN AND TAKE POTENTIAL CANADIAN SALES IF CANADA REMAINS AN NPT STALWART, END CONFIDENTIAL.
JOHNSON

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NNN

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